

Message Text

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PAGE 01 BAGHDA 00105 050802Z

43

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00 OPIC-03

AID-05 MC-01 ACDA-05 PM-03 DODE-00 CIAE-00 INR-07

NSAE-00 RSC-01 NSC-05 SP-02 SS-15 L-02 OMB-01 SAM-01

SAB-01 IGA-01 /082 W

----- 032702

R 010700Z FEB 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 1599

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY ANKARA

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TUNIS

C O N F I D E N T I A L BAGHDAD 105

E.O. 11652: GDS

TAGS: BEXP, EAIR, IZ

SUBJECT: RECORD BOEING A/C SALE TO IRAQ

REF: BAGHDAD 68 (NOTAL)

1. SUMMARY: ON JAN 31 IRAQI AIRWAYS SIGNED CONTRACTS WITH

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BOEING TO PURCHASE EIGHT NEW AIRCRAFT VALUED AT OVER 220
MILLION DOLLARS. IT IS LARGEST SINGLE DEAL BOEING HAS EVER

CONCLUDED IN MIDDLE EAST. IT WILL BE FOLLOWED SHORTLY BY LARGEST TECHNICAL ASSISTANCE PACKAGE BOEING HAS EVER PUT TOGETHER OUTSIDE U.S. IT WILL RESULT IN 210 AMERICAN TECHNICIANS RESIDING IN BAGHDAD. END SUMMARY.

2. FIRST CONTRACT IS FOR TWO 747S CONVERTIBLE TO CARGO USE TO BE DELIVERED IN JUNE AND JULY 1976. THEY ARE THE LARGEST AND MOST EXPENSIVE MODEL AVAILABLE. SECOND CONTRACT IS FOR THREE 727S TO BE DELIVERED IN MARCH, APRIL, AND MAY 1976. THIRD CONTRACT IS FOR ONE 737 TO BE DELIVERED IN JANUARY 1976. PRATT AND WHITNEY GOT CONTRACT FOR ALL ENGINES DESPITE DETERMINED EFFORT BY GENERAL ELECTRIC.

3. ARABIC PRESS FEB 1 PROMINENTLY CARRIED RELEASE ON PURCHASE BUT WITHOUT MENTIONING VALUE. NOR DID PRESS MENTION FOURTH CONTRACT SIGNED FOR PURCHASE OF TWO ADDITIONAL 747 CONVERTIBLES, APPARENTLY BECAUSE IRAQI AIRWAYS HAS UNTIL JUNE 1975 TO CANCEL THIS CONTRACT. TOTAL VALUE OF CONTRACTS FOR A/C ALONE, WITH NO SPARE PARTS, IS 220 MILLION DOLLARS. PAYMENT TERMS ARE STRICTLY CASH; 5 PERCENT DOWN, 35 PERCENT SIX MONTHS BEFORE DELIVERY, AND 60 PERCENT AT TIME OF DELIVERY. BOEING WAS NOT ASKED TO PROVIDE ANY FINANCING.

4. NEGOTIATIONS WILL CONTINUE THIS WEEK IN BAGHDAD AND SEATTLE TO CONCLUDE TECHNICAL ASSISTANCE PACKAGE FOR TRAINING OF IRAQI PERSONNEL AND EXPATRIATE PERSONNEL TO HANDLE NEW A/C UNTIL IRAQI AIRWAYS HAS SUFFICIENT PERSONNEL. UNIQUE ASPECT OF PACKAGE IS THAT BOEING WILL PROVIDE COUNTERPARTS FOR KEY IRAQI AIRWAYS PERSONNEL INCLUDING DIRECTOR GENERAL. BOEING WANTS THIS CONTRACT TO RUN ONLY UNTIL DECEMBER 31, 1976 BECAUSE IT DOES NOT LIKE GETTING IN BUSINESS OF RUNNING AN AIRLINE AND IT IS CERTAIN MAJOR ADJUSTMENTS WILL BE REQUIRED AFTER TWO YEARS. INFLUX OF 210 AMERICANS TO BEGIN THIS SUMMER.

5. CHIEF NEGOTIATOR, JIM STURGEON, REGIONAL DIRECTOR FOR COMMERCIAL CONTRACTS, TOLD ME ATMOSPHERE OF THESE NEGOTIATIONS WAS MARKEDLY DIFFERENT FROM JULY 1973 CONTRACT FOR
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FIVE A/C. INSTEAD OF CAUTION AND SUSPICION, IRAQIS WERE ACCOMMODATING AND AGREEABLE THROUGHOUT. HE ATTRIBUTED THIS IN PART TO BOEING PERFORMANCE OVER PAST 18 MONTHS WHICH HAS SUCCEEDED IN BUILDING MUTUAL CONFIDENCE.
LOWRIE

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To: STATE
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